
Introduced by Senator Maldonado

February 10, 2005

An act to add and repeal Sections 17053.77 and 23677 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 195, as introduced, Maldonado. Income and corporation taxes: credit: health savings accounts.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2005, and before January 1, 2007, in an amount equal to an unspecified percentage of the amount paid or incurred during the taxable year for qualified health insurance, as defined, for employees of the taxpayer.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17053.77 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.77. (a) For each taxable year beginning on or after
- 4 January 1, 2005, and before January 1, 2007, there shall be
- 5 allowed as a credit against the "net tax," as defined in Section
- 6 17039, an amount equal to ____ percent of the amount paid or
- 7 incurred by the taxpayer during the taxable year for qualified
- 8 health insurance for employees of the taxpayer.

(b) For purposes of this section, “qualified health insurance” means amounts paid on behalf of employees to a high deductible health plan, as defined by Section 223(c)(2) of the Internal Revenue Code, or to a health savings account, as defined by Section 223(d) of the Internal Revenue Code.

(c) No credit shall be allowed for the taxable year under this section to any taxpayer who has taken any deduction for health insurance for his or her employees under this part in the preceding 10 taxable years.

(d) The Franchise Tax Board shall, as soon as is practicable after each of the two years to which this section applies, report to the Legislature on the usage of the credits under this section.

(e) In the case where the credit allowed by this section exceeds the “net tax,” the excess may be carried over to reduce the “net tax” in the following year, and succeeding years if necessary, until the credit is exhausted.

(f) This section shall remain in effect only until January 1, 2008, and as of that date is repealed.

SEC. 2. Section 23677 is added to the Revenue and Taxation Code, to read:

23677. (a) For each taxable year beginning on or after January 1, 2005, and before January 1, 2007, there shall be allowed as a credit against the “tax,” as defined in Section 23036, an amount equal to ____ percent of the amount paid or incurred by the taxpayer during the taxable year for qualified health insurance for employees of the taxpayer.

(b) For purposes of this section, “qualified health insurance” means amounts paid on behalf of employees to a high deductible health plan, as defined by Section 223(c)(2) of the Internal Revenue Code, or to a health savings account, as defined by Section 223(d) of the Internal Revenue Code.

(c) No credit shall be allowed for the taxable year under this section to any taxpayer who has taken any deduction for health insurance for its employees under this part in the preceding 10 taxable years.

(d) The Franchise Tax Board shall, as soon as is practicable after each of the two years to which this section applies, report to the Legislature on the usage of the credits under this section.

(e) In the case where the credit allowed by this section exceeds the “tax,” the excess may be carried over to reduce the “tax” in

1 the following year, and succeeding years if necessary, until the
2 credit is exhausted.

3 (f) This section shall remain in effect only until January 1,
4 2008, and as of that date is repealed.

5 SEC. 3. This act provides for a tax levy within the meaning of
6 Article IV of the Constitution and shall go into immediate effect.

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